

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2010-3-E**  
**August 24, 2010**

IN RE:

Annual Review of Base Rates for Fuel Costs	)	<b>SETTLEMENT AGREEMENT</b>
for Duke Energy Carolinas, LLC	)	

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This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), the South Carolina Energy Users Committee (“SCEUC”), and Duke Energy Carolinas, LLC (“Duke Energy Carolinas”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedures in S.C. Code Ann. §58-27-865 (Supp. 2009), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Michael L. Seaman-Huynh and Robert A. Lawyer, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record before the Commission the redacted public and unredacted confidential pre-filed direct testimony and exhibits of Duke Energy Carolinas witness John W. Pitesa, and the pre-filed direct testimony and exhibits of John J. Roebel, Marion Elliott Batson, Thomas C. Geer, and Jane L. McManeus without objection or cross-examination by the Parties. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits and this Settlement Agreement. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. ORS's review of Duke Energy Carolinas' operation of its generating facilities resulted in ORS concluding that Duke Energy Carolinas has made reasonable efforts to maximize unit availability and minimize fuel costs. Additionally, ORS has determined that Duke Energy Carolinas took appropriate corrective action with respect to any outages that occurred during the review period.

3. As a compromise to positions advanced by Duke Energy Carolinas, ORS, and SCEUC, all Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

4. ORS analyzed the cumulative over-recovery of base fuel costs that Duke Energy Carolinas had incurred for the period June 2009 through May 2010 totaling \$53,785,597. ORS added the projected under-recovery of (\$2,967,115) for the month of June 2010, the projected under-recovery of (\$4,946,980) for the month of July 2010, the

projected under-recovery of (\$6,799,913) for the month of August 2010, and the projected under-recovery of (\$5,504,799) for the month of September 2010, to arrive at a cumulative over-recovery of \$33,566,790 as of September 2010. Duke Energy Carolinas' cumulative over-recovery for base fuel costs, per its testimony in this docket, as of May 2010 totals \$53,803,000, and as of September 2010, the cumulative over-recovery totals \$33,584,000. The difference between Duke Energy Carolinas' and the ORS's cumulative over-recovery as of actual May 2010 totals \$17,403. The difference between Duke Energy Carolinas' and ORS's cumulative over-recovery, as of September 2010, totals \$17,210.

ORS analyzed the cumulative over-recovery of environmental costs that Duke Energy Carolinas had incurred for the period June 2009 through May 2010 totaling \$3,242,609. ORS added the projected under-recovery of (\$585,000) for the month of June 2010, the projected under-recovery of (\$645,000) for the month of July 2010, the projected under-recovery of (\$682,000) for the month of August 2010 and the projected under-recovery of (\$548,000) for the month of September 2010, to arrive at a cumulative over-recovery of \$782,609 as of September 2010. Duke Energy Carolinas' cumulative over-recovery for environmental costs, per its testimony in this docket, as of May 2010 totals \$3,245,000 and as of September 2010, the cumulative over-recovery totals \$786,000. The difference between Duke Energy Carolinas' and the ORS's cumulative over-recovery, as of actual May 2010, totals \$2,391. The difference between Duke Energy Carolinas' and ORS's cumulative over-recovery, as of September 2010, totals \$3,391.

The Parties agree to accept all accounting adjustments as put forth in ORS witness Lawyer's pre-filed direct testimony related to the over-recovery on fuel and environmental costs.

5. The Parties agree that the fuel factors contained in the testimony and exhibits, specifically McManeus Exhibit 9, of Duke Energy Carolinas' witness Jane L. McManeus represent the appropriate fuel costs, environmental costs, and combined projected fuel factors for Duke Energy Carolinas to charge for the period beginning with the first billing cycle in October 2010 through the last billing cycle of September 2011 by customer class as set forth in the table below.

Class of Service	SC Base Fuel Factor McManeus Exhibit 9 (¢/kWh)	SC Environmental Factor McManeus Exhibit 9 (¢/kWh)	SC Combined Projected Fuel Factor McManeus Exhibit 9 (¢/kWh)
Residential	2.0625	0.0445	2.1070
General/Lighting	2.0625	0.0327	2.0952
Industrial	2.0625	0.0253	2.0878

6. The Parties agree that the fuel factors as set forth in Paragraph 5 above are consistent with S.C. Code Ann. §58-27-865 (Supp. 2009).

7. The Parties agree that in an effort to keep the Parties and Duke Energy Carolinas' customers informed of the over/under recovery balances related to fuel costs and of Duke Energy Carolinas' commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, Duke Energy Carolinas will provide to SCEUC, ORS, and where applicable, its customers the following information:

- (a) copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and

- (b) forecasts of the expected fuel factor to be set at its next annual fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. Such forecasts will be provided in the 4<sup>th</sup> quarter of the calendar year prior to the next annual fuel proceeding and in the 1<sup>st</sup> quarter of the calendar year of the Company's next annual fuel proceeding. Duke Energy Carolinas will use commercially reasonable efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

8. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues currently pending in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

9. The Parties agree that any and all challenges to Duke Energy Carolinas' historical fuel costs and revenues for the period ending May 2010 are not subject to further review; however, fuel costs and revenues for periods beginning June 2010 and thereafter shall be open issues in future proceedings and will continue to be tried-up

against actual costs in such proceedings held under S.C. Code Ann. §58-27-865 (Supp. 2009).

10. This written Settlement Agreement contains the complete agreement of the Parties. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission declines to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty, within 3 days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

11. This agreement shall be effective upon execution of the Parties and shall be interpreted according to South Carolina law.

12. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. §58-27-865 (Supp. 2009) in any future proceeding. This Settlement Agreement in no way precludes any party herein from advocating an alternative methodology under S.C. Code Ann. §58-27-865 (Supp. 2009) in any future proceeding.

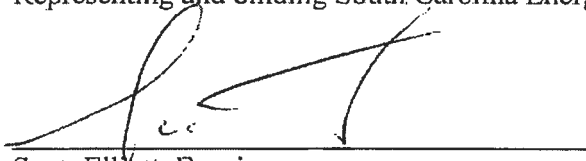
13. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

14. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this

Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

(Signature Pages Follow)


Representing and binding South Carolina Energy Users Committee:

A handwritten signature in black ink, appearing to read 'S. Elliott', is written over a horizontal line.

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Representing and binding Duke Energy Carolinas, LLC:



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**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2010-3-E**

IN RE:

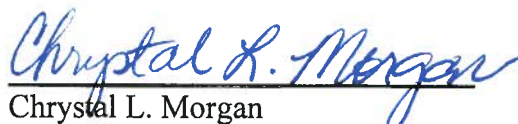
Annual Review of Base Rates for Fuel Costs	)	
of Duke Energy Carolinas, LLC	)	<b>CERTIFICATE OF</b>
	)	<b>SERVICE</b>
	)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Brian L Franklin, Counsel  
Lara Simmons Nichols, Assistant General Counsel  
Timika Shafeek-Horton, Counsel  
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Chrystal L. Morgan

August 24, 2010  
Columbia, South Carolina